

EXHIBIT C

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2

IN THE UNITED STATES DISTRICT COURT

3

DISTRICT OF CONNECTICUT

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ARUBA HOTEL ENTERPRISES N.V.,

6

7

Plaintiff,

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v.

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MICHAEL BELFONTI, MCR PROPERTY

10

MANAGEMENT INC. and CEB

11

IRREVOCABLE TRUST,

12

13

Defendants.

14

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15

16

April 29, 2008

17

10:12 a.m.

18

19

Deposition of MICHAEL BELFONTI,

20

held at the offices of Proskauer Rose LLP,

21

New York, New York, pursuant to Notice,

22

before NANCY SORENSEN, a Notary Public of

23

the State of New York.

24

25

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A P P E A R A N C E S:

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M I C H A E L B E L F O N T I, called
as a witness, having been duly sworn by a Notary
Public, was examined and testified as follows:

EXAMINATION BY

MR. MERVIS:

Q. Morning, Mr. Belfonti. Have you ever
had your deposition taken before?

A. Yes.

Q. I'm going to ask you a number of
questions today. I want you to do one thing for
me.

If at any time you don't understand a
question I've asked you, I want you to tell me;
will you do that?

A. Yes.

Q. How many times have you had your
deposition taken before?

A. Maybe two times.

Q. When was the first time that you had
your deposition taken?

A. Many, many years ago in the '70's.

Q. Do you recall whether you were a
party in that matter?

A. No.

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1 M. Belfonti

2 A. I don't believe so.

3 MR. MERVIS: Can you mark this,
4 please.

5 (Belfonti Exhibit 1, a loan agreement
6 for the Aruba Hotel Enterprises N.V., marked
7 for identification, as of this date.)

8 Q. Mr. Belfonti, the reporter's placed
9 in front of you what we have had marked for
10 identification as Belfonti Exhibit 1.

11 Take as much time as you need, but my
12 first question on this is do you recognize the
13 document?

14 A. Yes.

15 Q. What is it?

16 A. It's a loan agreement for the Aruba
17 Hotel Enterprises N.V.

18 Q. I want you to -- well, unfortunately,
19 I don't have Bates numbers on this, but if you
20 turn to page 103, with the page that has the
21 number 103 on the bottom, and I want you to then
22 turn two more pages, please?

23 A. Okay.

24 Q. You see a line that says, "borrower"
25 that's underlined?

1 M. Belfonti

2 A. Yes.

3 Q. There is a signature there. Is that
4 your signature?

5 A. Yes, it is.

6 Q. Did you sign this loan agreement,
7 Exhibit 1, on behalf of Aruba Hotel Enterprises
8 N.V.?

9 A. I believe so.

10 Q. Just to save some paper, I'm going to
11 refer to Aruba Hotel Enterprises N.V. as AHE
12 during the course of this deposition; is that
13 okay with you?

14 A. That's fine.

15 Q. At the time that you signed this loan
16 agreement, Belfonti Exhibit 1, what role, if
17 any, did you have with AHE?

18 A. Could you repeat the question?

19 MR. MERVIS: Read it back.

20 (The record was read.)

21 A. At the time of the signing?

22 Q. Yes.

23 A. I'd like you to rephrase the
24 question. I'm sorry.

25 Q. When you signed this loan agreement,

1 M. Belfonti

2 which is dated as of May 3, 2006, between AHE
3 and WIBC Aruba N.V., did you have any role or --

4 MR. MERVIS: Well, let me withdraw.

5 Q. Did you have any interest in AHE?

6 A. After I signed, I believe I did, yes.

7 Q. Describe for me, if you would, the
8 nature of the interest that you had?

9 A. I had a 75 percent ownership interest
10 in the entity.

11 Q. The entity being AHE?

12 A. Yes.

13 Q. That was an indirect interest;
14 correct?

15 A. Yes.

16 Q. Through a series of holding
17 companies?

18 A. Yes.

19 Q. The other 25 percent, at the time,
20 was held by Mr. Adam Hochfelder; is that right?

21 A. I don't believe so.

22 Q. Fair point. A Hochfelder family
23 trust?

24 A. Yes, I believe it was Aligned
25 Capital, to my recollection.

1 M. Belfonti

2 Q. Fair enough.

3 Did you understand that Aligned
4 Capital was beneficially owned by Adam
5 Hochfelder or some trust affiliated with his
6 family?

7 A. I think it was owned by his father,
8 Jim Hochfelder. And the beneficiaries of
9 Aligned were his children, I believe.

10 Q. His, being Adam Hochfelder's
11 children?

12 A. Yes.

13 Q. This agreement memorializes a loan;
14 does it not?

15 A. Yes.

16 Q. What, to your understanding, was the
17 purpose of the loan?

18 A. The loan was made to purchase the
19 Wyndham Resort down in Aruba.

20 Q. When you say, "to purchase," who was
21 the purchaser?

22 A. One of our related entities. It
23 could have been -- I'm not sure.

24 Q. Fair enough.

25 When you say, "one of our related

1 M. Belfonti

2 entities," is it your understanding that,
3 ultimately, AHE was the, became the owner of the
4 Wyndham?

5 A. I believe AHE was the owner of the
6 Wyndham before we purchased it.

7 Q. Fair enough.

8 So at the time that you obtained a 75
9 percent ownership interest in AHE, AHE owned the
10 Wyndham Resort; is that correct?

11 A. That is correct.

12 Q. The name of the resort changed at
13 some point thereafter; is that right?

14 A. That is correct.

15 Q. What did it change to?

16 A. The Aruba Hotel Resort & Casino, I
17 believe.

18 Q. That was for a period of time;
19 correct?

20 A. That was an interim name before we
21 flagged it as a Westin.

22 Q. When it was flagged as a Westin, what
23 was the property called?

24 A. The Westin Aruba.

25 Q. Just again, to save paper, I'm going

1

M. Belfonti

2

to generally be referring to that hotel property
3 as "the hotel" during the course of the
4 deposition today, is that okay with you?

5

A. That's fine.

6

Q. Were the proceeds of the loan that's
7 memorialized in Belfonti Exhibit 1, used by you
8 in connection with your obtaining an interest in
9 AHE?

10

A. Yes.

11

Q. To your knowledge, was it used for
12 any other purpose?

13

MR. MERVIS: Withdrawn.

14

Q. To your knowledge, were the proceeds
15 of the loan that's memorialized in Belfonti
16 Exhibit 1, used for any other purpose?

17

A. No.

18

MR. MERVIS: Mark this, please.

19

(Belfonti Exhibit 2, a mezzanine loan
20 agreement, marked for identification, as of
21 this date.)

22

Q. Mr. Belfonti, the reporter's placed
23 in front of you what we have had marked for
24 identification as Belfonti Exhibit 2.

25

Again, take as much time as you need,

1

M. Belfonti

2

but my first question to you is whether you
3 recognize the document?

4

A. Maybe could you help me, Mr. Mervis,
5 I'm looking for the amount here?

6

Q. The amount of the loan?

7

A. Yeah.

8

Q. Well, if you look at the first page,
9 there's a whereas clause at the bottom of the
10 page that goes over to the second page.

11

That may help you.

12

A. I see. Yes, I recognize the
13 document. Thank you.

14

Q. What is it?

15

A. It is a mezzanine loan agreement.

16

Q. I want you to turn to, again, I don't
17 have Bates stamps on this. I want you to turn
18 to page 60 or the page that has number 60 at the
19 bottom?

20

I'd like you to just turn to the next
21 page, the very next page.

22

You will see a signature on that
23 page?

24

A. Yes.

25

Q. Is that your signature?

1 M. Belfonti

2 A. It is.

3 Q. It says on this page that you signed
4 as the president of something called BCP Florin
5 LLC; you see that?

6 A. Yes, I do.

7 Q. What, at the time, was BCP Florin
8 LLC?

9 A. It was an upstream entity from AHE.

10 Q. So an indirect parent of AHE?

11 A. I don't know how you would legally
12 phrase it. But it was an -- all I know, it's an
13 upstream entity. I don't know if it's a parent,
14 but it's an upstream entity.

15 Q. Fair enough.

16 You were a 75 percent beneficial
17 owner of BCP Florin, at the time?

18 A. I was.

19 Q. To your understanding, what was the
20 purpose of this document, Exhibit 2?

21 A. This was a loan to BCP Florin from
22 Petra Capital.

23 Q. Were you represented -- when I say
24 "you," either you or BCP Florin, represented by
25 counsel in connection with this transaction?

1 M. Belfonti

2 memorialized in Exhibit 2 are used?

3 A. Sure there are.

4 Q. Where would those records be today?

5 A. In my office.

6 Q. Your office is in Manhattan?

7 A. Connecticut.

8 Q. In Connecticut. What town is that
9 in?

10 A. Hamden.

11 Q. Do you still have an ownership
12 interest in AHE today?

13 A. I do not.

14 Q. When did you cease having ownership
15 interest in AHE?

16 A. I believe it was in April of '07.

17 Q. Same question with respect to BCP
18 Florin, do you have an ownership interest in
19 that entity today?

20 A. I don't believe so.

21 Q. When, to your recollection, did you
22 cease to have an ownership interest in BCP
23 Florin?

24 A. I believe it was at the same time.

25 Q. April 2007?

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M. Belfonti

A. Yes.

Q. Do you recall how it came to pass that you ceased to have an ownership interest in AHE in April 2007?

A. There was a default under the loan, and when we stopped paying the loan, it automatically, the shares automatically, through some procedure, which I'm not familiar with, vested with the mezz lender.

Q. Let me just make sure that we get some clarity on that.

You say there was a default on the loan; which loan?

A. The Wachovia loan.

Q. That is the loan that's memorialized in Belfonti Exhibit 1?

A. Correct.

Q. I think you said that through some procedure, the shares of AHE went to the mezz lender; is that right?

A. That's correct.

Q. The mezz lender being Petra?

A. That is correct.

Q. Same question with respect to BCP.

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1 M. Belfonti

2 Florin.

3 Do you know how it is that you, that
4 you ceased having ownership interest in that
5 entity?

6 A. Not clearly.

7 Q. Fair enough.

8 Are you familiar with a company
9 called MCR Property Management, Inc.?

10 A. I am.

11 Q. Again, to save paper, I'm going to
12 refer to that entity in this deposition as MCR;
13 is that okay with you?

14 A. Sure.

15 Q. What's the business of MCR, today?

16 A. MCR is a property management company.

17 Q. Has that been its business, say, for
18 the last three years?

19 A. Yes.

20 Q. Do the letters MCR stand for
21 anything?

22 A. They do.

23 Q. What?

24 A. Michael, Richard -- oh, Constance,
25 which is my mom, and Richard, which is my dad.

1 M. Belfonti

2 Q. Michael is you?

3 A. That's me.

4 Q. You don't have any other siblings?

5 A. No, I don't.

6 Q. MCR is located where?

7 A. In Hamden, Connecticut.

8 Q. Today, who are the officers of MCR?

9 A. I believe I'm an officer and a
10 gentleman by the name of Richard Tolentino.

11 Q. Since the beginning of 2006, were
12 there any other officers of MCR?

13 A. My dad, I believe, was an officer.

14 Q. Richard?

15 A. Yes.

16 Q. Do you know month and year when he
17 ceased being an officer of MCR?

18 A. I don't.

19 Q. Today, who are the directors of MCR?

20 A. I'm not sure.

21 Q. Do you know who the directors of MCR
22 were at any time since the beginning of 2006?

23 A. I don't.

24 MR. MERVIS: Mark this please.

25 (Belfonti Exhibit 3, a list of

1 M. Belfonti
2 employees of MCR Property Management, Inc.,
3 marked for identification, as of this
4 date.)

5 Q. Mr. Belfonti, the reporter has --
6 actually, your lawyer has placed before you what
7 the reporter has marked as Exhibit 3.

8 I will ask you to take a moment and
9 let me know if you recognize this document?

10 A. Yes.

11 Q. What is it?

12 A. It's a list of employees of MCR
13 Property Management, Inc.

14 Q. Do you know approximately when this
15 list was created?

16 A. No, I do not.

17 Q. Does it look to you to be a
18 reasonably current list of MCR's employees?

19 A. Yes.

20 Q. It lists you as the president; you
21 see that?

22 A. That's correct.

23 Q. Is that your title today?

24 A. Yes, I guess, if that's what it says.

25 Q. Well, I understand that, but I mean

1 M. Belfonti

2 apart from the document, do you know whether or
3 not you are the president of MCR, today?

4 A. Yes.

5 Q. You are?

6 A. I think so.

7 Q. How long have you been the president
8 of MCR?

9 A. I think since inception.

10 Q. Inception was 1990?

11 A. Sounds about right.

12 Q. In the last three years, has --
13 MR. MERVIS: Withdrawn.

14 Q. Since the beginning of 2006, has MCR
15 had any one individual who served in the
16 capacity as chief executive?

17 A. Could you repeat the question,
18 please?

19 (The record was read.)

20 A. That would be me.

21 Q. That would be for the entire time
22 period, 2006 to date?

23 A. Yes.

24 MR. MERVIS: Mark this, please.

25 (Belfonti Exhibit 4, a document,

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1 M. Belfonti

2 marked for identification, as of this
3 date.)

4 Q. Mr. Belfonti, before we get to this
5 exhibit, I want to ask you a question.

6 Today, who are the owners of MCR?

7 A. I believe I am an owner and my mom is
8 an owner or my mom's trust, I'm not sure.

9 Q. Do you know approximately what
10 percentage ownership interest you have as
11 opposed to your mom or your mom's trust?

12 A. I think approximately 50 percent.

13 Q. So 50/50 split?

14 A. I'm not sure exactly.

15 Q. Prior to your father's death, the
16 split was what, a third, a third, a third?

17 A. I don't recall.

18 Q. Taking a look at what has been marked
19 for identification as Exhibit 4.

20 Again, take a minute, but I will ask
21 you if you recognize the document?

22 A. I've never seen it before.

23 Q. Fair enough. You can put it aside.

24 Do you know, has Richard Tolentino
25 ever been the president of MCR?

1 M. Belfonti

2 A. Yes.

3 Q. When?

4 A. I know he has the title of MCR. I'm
5 not sure if it was ever formally done.

6 Q. Let me ask the question a little bit
7 differently.

8 You've testified that you were
9 currently the president, correct, or a
10 president?

11 A. Well, we have many, many different
12 entities. So when you ask me questions on
13 which, who's the president, who's the secretary,
14 I just don't know unless I looked at the papers.

15 But it's evident here that
16 Mr. Tolentino is the president, from this
17 document you just showed me.

18 MR. KIM: I think his question was
19 whether you testified that you thought you
20 were the president.

21 Q. That was the question, but stop.
22 We'll see if we can make it more understandable
23 for you.

24 I appreciate that there are many
25 different entities. I'm focusing right now only

1 M. Belfonti

2 on one, MCR; okay?

3 A. Okay.

4 Q. You are the president of MCR, today?

5 A. Yes, I thought I was.

6 Q. Do you have any -- have you
7 reconsidered that thought since the time that
8 you gave that testimony?

9 A. It's possible that Mr. Tolentino is
10 the president of MCR.

11 Q. Do you know for a fact whether
12 Mr. Tolentino held the position as president of
13 MCR at any time between January 2006 and today?

14 A. I don't.

15 Q. Do you know whether, at any time
16 between January 2006 and today, there have been
17 two presidents of MCR?

18 A. I don't.

19 Q. Is MCR a corporation?

20 A. Yes.

21 MR. MERVIS: Off the record.

22 (Discussion off the record.)

23 Q. Go back to Exhibit 4 for a second?

24 A. Sure.

25 Q. Take a look at the third page,

1 M. Belfonti

2 please?

3 You will see at the toward the bottom
4 of the page, entry number 4, your name is there?

5 A. Yes.

6 Q. It's lists your title as director; do
7 you see that?

8 A. Yes, I do.

9 Q. Does that refresh your recollection
10 as to whether or not you are a director of MCR?

11 A. Yes.

12 Q. Does it refresh your recollection
13 that you are, in fact, a director of MCR?

14 A. I have never seen the document
15 before.

16 Q. I understand.

17 A. But I would believe that if that's
18 what it says, if this came from the Secretary of
19 State, then I guess I am the director.

20 Q. Do you have any recollection of
21 participating in any MCR board of directors
22 meetings in the past three years?

23 A. No.

24 Q. Do you know if there have been any?

25 A. No, there has not.

1 M. Belfonti

2 Q. Have not been?

3 A. No.

4 Q. You, I think, indicated a little
5 while ago that, I think you said we have many
6 entities or words to that effect.

7 To the best of your memory, it's not,
8 you know, it's only what you can remember
9 sitting here today, what entities have you had a
10 beneficial ownership interest in since 2006?

11 A. I wouldn't know the names.

12 Q. So you can't tell me the name of a
13 single entity that you've had a beneficial
14 ownership interest in since the beginning of
15 2006?

16 A. MCR Property Management.

17 Q. Anything else?

18 A. No, each asset has a -- is a single
19 purpose asset with a different name, so no, I
20 wouldn't know the names.

21 Q. So you'd need to see a piece of paper
22 or something like that?

23 A. Yes.

24 Q. What do you mean when you say each
25 entity is a single purpose asset?

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1 M. Belfonti

2 right?

3 A. I do.

4 Q. What business is run out of the
5 office in New York?

6 A. None.

7 Q. Pardon me?

8 A. None.

9 Q. What business is conducted out of the
10 office in New York?

11 A. It's more a satellite office for the
12 office in Connecticut.

13 Q. Do you have, today, do you have
14 full-time employees who spend the majority of
15 their time in your New York office?

16 A. Just one.

17 Q. Who?

18 A. Marion Fedai.

19 Q. That's your assistant?

20 A. Yes.

21 Q. Since 2006, and we'll put Ms. Fedai
22 aside for the moment, have you had any full-time
23 employees who spent the majority of their time
24 in your New York office?

25 A. Yes.

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1 M. Belfonti

2 Q. Who?

3 A. Are you referring to the beginning of
4 2006?

5 Q. Yes, starting in January.

6 A. Since losing the hotel, we had maybe
7 three or four employees, and now just have one.
8 And those names would be Andrew Fenet, Greg --
9 Craig Welch, D'Wayne Prieto, and Stephan
10 Resnick.

11 Q. To make sure I understand the timing,
12 you are saying that these individuals were
13 resident in your New York office during some
14 period of time after April 2007?

15 A. Yes.

16 Q. Were they also resident in your
17 New York office prior to April 2007?

18 A. Yes.

19 Q. Were there other people who were,
20 other full-time employees, who were resident in
21 your New York office prior to 2007?

22 I'm sorry, prior to April 2007?

23 A. Yes.

24 Q. Who?

25 A. Adam Hochfelder.

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1 M. Belfonti

2 Q. Okay?

3 A. Several admins. I don't remember the
4 names.

5 Q. Anybody else?

6 A. No.

7 Q. How about Ms. Carpenter?

8 A. No.

9 Q. She was in Connecticut?

10 A. Yes.

11 Q. Mr. Fenet, by what entity or by which
12 entity was Mr. Fenet employed?

13 A. I believe of all the employees in
14 New York were paid by MCR.

15 Q. On MCR's payroll?

16 A. Yes.

17 Q. Generally speaking, during the time
18 that Mr. Fenet was employed by MCR, what were
19 his duties and responsibilities?

20 A. He was an analyst.

21 Q. Briefly, what did -- in that role,
22 what did he do?

23 A. He'd be responsible for due diligence
24 and then modeling numbers.

25 Q. Is one of the purposes of modeling

1 M. Belfonti

2 numbers to actually --

3 MR. MERVIS: Withdrawn.

4 Q. Your office in Hamden, what's the
5 address?

6 A. 2319 Whitney, W-H-I-T-N-E-Y, Hamden,
7 06518 in Connecticut.

8 Q. Has that been the address since
9 January of 2006?

10 A. Yes.

11 Q. What businesses are run out of --

12 MR. MERVIS: Withdrawn.

13 Q. Since January 2006, what businesses
14 have been run out of that office, your
15 Connecticut office?

16 A. All businesses.

17 Q. So all the businesses in which you
18 have an ownership interest?

19 A. Connecticut is our back office, so to
20 speak.

21 Q. First of all, is Ms. Carpenter still
22 employed by one or more of your entities today?

23 A. She's employed by MCR.

24 Q. Has she been employed by MCR since
25 January 2006?

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1 M. Belfonti

2 A. Yes.

3 Q. What have her duties and
4 responsibilities been since January 2006?

5 A. She's a comptroller.

6 Q. Generally speaking, what does she do
7 as your comptroller or a comptroller?

8 A. She controls the books, checks with
9 the bookkeepers, checks payables, checks
10 receivables. Just normal functions.

11 Q. In fulfilling that role, has she,
12 from time to time, performed services on behalf
13 of a variety of your entities?

14 A. Yes.

15 Q. Would the same be true for Mr. Fenet
16 in terms of performing his former role?

17 A. No.

18 Q. Which entities did Mr. Fenet work
19 with?

20 A. Anything that occurred in the
21 New York office.

22 Q. Would that include dealings with
23 respect to the hotel?

24 A. It would.

25 Q. Going back to the CEB trust, do you

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1 M. Belfonti

2 know if, today, anyone, any particular
3 individual has decision making authority with
4 respect to the affairs of the trust?

5 A. I believe the trustee for the CEB
6 trust is Dana Friedman.

7 Q. Has that been the case since January
8 of 2006?

9 A. Yes.

10 Q. Do you understand that, is it your
11 understanding that as the trustee, Mr. Friedman
12 has had and has sole decision making authority
13 with respect to the affairs of the trust?

14 MR. SLOSSBERG: Objection to the form
15 of the question.

16 Q. You can answer, if you understand the
17 question.

18 A. I'm not sure.

19 Q. You don't know the answer?

20 A. No, I don't.

21 Q. Have you, Mr. Belfonti, ever had
22 decision making authority with respect to the
23 affairs of the trust?

24 A. I don't believe so.

25 Q. Are you a trustee of the trust?

1 M. Belfonti

2 A. I'm not sure.

3 Q. Do you know, Mr. Belfonti, if the CEB
4 trust has ever made any loans to anyone?

5 A. Yes.

6 Q. To which party or parties has the CEB
7 trust made loans?

8 A. Many parties.

9 Q. Has the CEB trust ever made a loan to
10 AHE?

11 A. I believe so.

12 Q. Do you know when that loan was made?

13 MR. MERVIS: Withdrawn.

14 Q. What's the basis of that belief?

15 A. I believe in reviewing, talking with
16 my lawyers before the deposition, I think we --

17 MR. KIM: I advise you not to reveal
18 the content of any of your communications
19 with your lawyers.

20 MR. MERVIS: Unfortunately, I can't
21 argue with that. Although, it's too bad
22 Mr. Kim wasn't sleeping.

23 Q. Do you have a basis for believing
24 that the CEB trust made a loan to AHE, other
25 than from a conversation with your lawyers?

1 M. Belfonti

2 A. I believe that it did.

3 Q. I guess what I'm asking you is why do
4 you believe that?

5 A. Recollection.

6 Q. Anything else?

7 A. No.

8 Q. I think I asked you a little bit
9 about Belfonti Holdings.

10 What is the -- first of all, Belfonti
11 Holdings principal office is in Connecticut?

12 A. I believe so.

13 Q. You say you believe so. Is there any
14 other place that, to your understanding, it
15 might have a principal office?

16 A. I don't think it's in New York, so it
17 would have to be in Connecticut.

18 Q. You already told me that none of the
19 businesses operate out of New York; right?

20 A. Except BCP.

21 Q. Oh, I didn't understand that, all
22 right. We'll get to BCP a little bit later.

23 What's the business of Belfonti
24 Holdings?

25 A. It's another entity that we have.

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1 M. Belfonti

2 Q. Do you know what it does?

3 A. No.

4 Q. When you say it's an "entity that we
5 have," the "we" refers to the Belfonti family or
6 to you?

7 A. No, to I.

8 Q. You personally?

9 A. Yes.

10 Q. Your mother is not involved in the
11 business of Belfonti Holdings; right?

12 A. I'm not sure.

13 Q. Well, who runs Belfonti Holdings?

14 A. It's not an operating business.

15 Q. What's its business?

16 A. I'm not sure.

17 Q. Is it a holding company?

18 A. I really don't know.

19 Q. Are you an officer in Belfonti
20 Holdings?

21 A. I'm not sure.

22 Q. Does it have directors?

23 A. Not to my knowledge.

24 Q. Do you know what kind of entity it
25 is?

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1 M. Belfonti

2 A. No.

3 Q. Are you employed by Belfonti
4 Holdings?

5 A. No.

6 Q. Does it have any employees?

7 A. I don't believe so.

8 Q. The owners of Belfonti Holdings are
9 who?

10 A. I'm not sure.

11 Q. You are one of them; right?

12 A. I really don't know.

13 MR. MERVIS: Let's go off the record.

14 (Brief recess taken.)

15 FURTHER EXAMINATION

16 BY MR. MERVIS:

17 Q. Mr. Belfonti, who has decision making
18 authority for Belfonti Holdings?

19 A. Ultimately, me.

20 Q. How do you know that?

21 A. Because I have decision making of
22 most all the entities.

23 Q. So the entities that run out of your
24 Connecticut office, you have the ultimate
25 decision making authority for every single one

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1 M. Belfonti

2 Capital Partners, have you been the sole owner?

3 A. No.

4 Q. Who else has had an ownership
5 interest?

6 A. Aligned Capital Holdings.

7 Q. Does Aligned have an ownership
8 interest today?

9 A. It does not.

10 Q. When did Aligned cease to have an
11 ownership interest?

12 A. Late 2007 or early 2008. I'm not
13 sure.

14 Q. Did that come about pursuant to a
15 settlement agreement that you reached with
16 Mr. Hochfelder?

17 A. Yes, it did.

18 Q. During -- I'm going to, again, to
19 save some paper, shorthand Belfonti Capital
20 Partners and call it BCP; is that okay?

21 A. Sure.

22 Q. During its existence, during BCP's
23 existence, have you been the ultimate decision
24 maker for the entity?

25 A. Yes.

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1 M. Belfonti

2 Q. So you don't know how it came to be
3 that you stopped being a supervisory board
4 member?

5 A. I think I resigned.

6 Q. Why did you resign?

7 A. On advice of counsel at the time.

8 Q. Which counsel?

9 A. Don't recall.

10 MR. MERVIS: Mark this, please.

11 (Belfonti Exhibit 6, a letter from a
12 law firm called Sjiem Fat & Kuster, marked
13 for identification, as of this date.)

14 Q. Mr. Belfonti, you've been handed the
15 document that we have had marked for
16 identification as Belfonti Exhibit 6.

17 Take as much time as you need, but my
18 first question is do you recognize the exhibit?

19 A. Let me read it first.

20 Q. Go right ahead.

21 Do you recognize it?

22 A. I think I recognize the first page,
23 but the second two are in Dutch, so, no.

24 Q. I'm not going to let you get off that
25 easy. How about the fourth page?

1 M. Belfonti

2 A. Yes.

3 Q. Who prepared the fourth page,
4 Mr. Belfonti?

5 A. I'm not sure.

6 Q. So let's go to the first page.

7 This is a letter from a law firm
8 called Sjiem Fat & Kuster.

9 They represent you; is that correct?

10 A. Yes.

11 Q. They represent some of your entities;
12 is that correct?

13 A. Yes, that is correct.

14 Q. Which entities do they represent
15 today?

16 A. I believe all four that are listed on
17 the front page.

18 Q. Any others?

19 A. I believe they also represent Diamond
20 Gaming.

21 Q. That's a company that you own a
22 hundred percent; is that right?

23 A. That is correct.

24 Q. The four entities on the first page,
25 you are referring to where Mr. Sjiem Fat says,

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1 M. Belfonti

2 "I'm writing on behalf of," and then he lists
3 four entities?

4 A. That is correct.

5 Q. Did you review a draft of this letter
6 before it was sent?

7 A. I don't remember.

8 Q. Did you know that this letter was
9 going to be sent before it actually was sent?

10 A. I did.

11 Q. Did you authorize that it be sent?

12 A. I did.

13 Q. Was there anyone -- apart from your
14 counsel, was there anybody, that you know of,
15 who was aware that this letter was going to be
16 sent, before it was sent?

17 A. No.

18 Q. That would include your mother?

19 A. That would include my mother, yes.

20 Q. She didn't know?

21 A. I don't believe so.

22 Q. This letter, the first page of
23 Exhibit 6 makes a demand for AHE to pay money
24 within three days of the date of the letter;
25 correct?

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1 M. Belfonti

2 A. That is correct.

3 Q. To your knowledge, had any of the
4 four entities identified in this letter, ever
5 demand payment of any, of the money referenced
6 in the letter, prior to this August 21, 2007
7 letter?

8 A. No.

9 Q. Why not?

10 A. I don't know.

11 Q. Did it ever occur to you,
12 Mr. Belfonti, to cause any or all of these
13 entities to demand payment prior to August 21 of
14 2007?

15 A. Yes.

16 Q. When did that thought first occur to
17 you?

18 A. After the default on the loan.

19 Q. After BCP Florin defaulted on the
20 loan from Petra?

21 A. Correct.

22 Q. Do you recall approximately when you
23 had that thought?

24 A. I don't, but there were re monies
25 owed back to my entities, and they were actual

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1 M. Belfonti

2 A. I do.

3 Q. What, to your understanding, does
4 that entry represent?

5 A. The 4 million 873 and change are
6 monies that Belfonti Capital Partners advanced
7 as a loan in order to close the transaction with
8 AHE.

9 Q. To what entity or entities were those
10 monies advanced as a loan?

11 A. Various entities, but I'm not sure
12 which ones.

13 MR. KIM: Did you say to or from?

14 MR. MERVIS: I don't know.

15 Can you read the question back.

16 (The record was read.)

17 MR. MERVIS: Let me restate it
18 because it wasn't so clear.

19 Q. To which entities -- who were the
20 borrowers or who was the borrower or borrowers
21 of those, of the alleged loan?

22 A. AHE.

23 Q. Who, on behalf of BCP, decided to
24 make the loan?

25 A. I did.

1 M. Belfonti

2 Q. Who, on behalf of AHE, decided to
3 accept the loan?

4 A. I did.

5 Q. Was there any, to your knowledge, was
6 there any negotiation about the terms of this
7 alleged loan?

8 A. No.

9 Q. Were there terms for this alleged
10 loan?

11 A. Just that it had to be paid back and
12 it would incur an interest rate.

13 Q. Let me probe on that.

14 Was there, with respect to this
15 alleged loan, which we'll call the -- why don't
16 we call this the \$4.8 million loan, just as a
17 shorthand; is that okay?

18 A. Yes.

19 Q. With respect to the alleged \$4.8
20 million loan, was there a payment schedule?

21 A. No.

22 Q. Was there a maturity date?

23 A. No.

24 Q. Was any, was AHE required to make any
25 interest payments?

1 M. Belfonti

2 A. No.

3 Q. Was there any security for the loan?

4 A. No.

5 Q. Were there any restrictions placed on
6 how the proceeds of the alleged \$4.8 million
7 loan could be used?

8 A. No.

9 Q. Was there any provision as to whether
10 the --

11 MR. MERVIS: Withdrawn.

12 Q. Was there any understanding as to
13 whether the \$4.8 million alleged loan would be
14 subordinated to any of AHE's debt obligations?

15 A. That was an understanding.

16 Q. Who was that understanding between?

17 A. Both me, as the lender, and me, as
18 the owner of AHE.

19 Q. What was the understanding?

20 A. That the first mortgage to Wachovia
21 was most important and had to be paid first.
22 And then the mezzanine loan by Petra would have
23 to be paid also.

24 Q. Then?

25 A. That was the most important.

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